# Annual Engagement Policy Implementation Statement

## Lyondell Chemical Europe, Inc. Pension Plan

**Introduction:**

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ("SIP") produced by the Trustees has been followed during the year to 30 June 2026 (the "Plan Year"). This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and subsequent amendments, and the guidance published by the Pensions Regulator.

**The Trustees can confirm that all policies in the SIP on engagement in relation to the Plan's assets have been followed during the Plan Year.**

**Changes to the investment arrangements during the Plan Year**

In August 2025, following the preliminary results of the triennial actuarial valuation, the Trustees considered the Plan's investment strategy including the impact of de-risking. The Trustees agreed to maintain the existing strategy at the time.

In October 2025, the Trustees revisited the investment strategy following further improvement in the funding position and agreed to de-risk by switching a proportion of the equity investments into bonds. More specifically, the Trustees agreed to increase the allocation to the bond portfolio from 75% to 85% of total Plan assets, with a corresponding reduction in the equity allocation from 25% to 15%. The changes were implemented in early November 2025.

The SIP was updated in November 2025 to reflect the revised investment strategy. This statement is based on the relevant versions of the SIP that was were in place during the Plan year, which were the SIP dated May 2024 and the SIP dated November 2025.

**Investment Objectives of the Plan:**

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Plan included in the SIP dated November 2025 are as follows:

*The Trustees' funding objective is to have sufficient assets so as to make provision for 100% of the Plan's liabilities as determined by an actuarial calculation. The Trustees aim to invest the assets of the Plan prudently to ensure that there are always sufficient assets of the Plan (at their realisable value) to meet 100% of the benefits promised to members as they fall due for payment.*

*The Trustees' long-term objective is to reach and maintain at least 100% funded on a solvency basis. The Trustees have set an investment strategy by first considering the lowest risk asset allocation that they could adopt in relation to the Plan's liabilities, and then selecting a strategy that is designed to achieve a higher return than the lowest risk strategy while maintaining a*

*prudent approach to meeting the Plan's liabilities. As and when opportunities arise, the Trustees will seek to de-risk the investment strategy in order to protect the funding position whilst retaining sufficient growth assets to achieve the long-term objective.*

## Policy on ESG, Stewardship and Climate Change

The Trustees keep their policies under regular review with the SIP subject to review at least triennially or following any material change in investment strategy or policy. The Plan's SIP includes the Trustees' policy on Responsible Investment and Corporate Governance, which includes reference to Environmental, Social and Governance ("ESG") factors as well as stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. This policy was last reviewed during the Plan Year (in November 2025).

The following work was undertaken during the year relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustees' engagement and voting policies were followed and implemented during the year.

## Engagement

The Plan's investment performance reports were received by the Trustees on a quarterly basis during the year under review and considered in more detail at the Trustees' meetings on 16 September 2025 and 19 March 2026 – these included ratings and ESG assessments derived by the Trustees' investment consultant. All of the pooled funds in which the Plan invested over the Plan Year remained highly rated during the year.

The Trustees were comfortable with the ratings applied to the funds and continue to closely monitor the strategy ratings and the extent to which ESG factors are taken into account in the investment process, as well as any significant developments at the investment manager.

The Trustees also reserve the right to challenge the investment manager directly on ESG policies and practices, if deemed appropriate. The Trustees kept L&G's capabilities under review during the year and remained comfortable that L&G remains a market leader in ESG matters and uses its scale to engage productively to change corporate behaviours and drive change, where deemed necessary.

L&G is a signatory to the UK Stewardship Code , following the submission and approval of the required reporting to the Financial Reporting Council.

The Trustees' investment consultant requested, on behalf of the Trustees, details of relevant engagement activity for the Plan Year from L&G. L&G engaged with companies on a wide range of different issues including ESG matters such as climate change, social and financial inclusion, and board structure. L&G provided the following examples of engagement undertaken during the Plan Year:

### *Environmental*

Scope 2 emissions (arising from a company's purchased electricity and heat) are a major part of global emissions and important for assessing climate transition risk. The GHG (greenhouse gas) Protocol's Scope 2 guidance is being updated for the first time since 2015, which matters to investors because reliable Scope 2 data underpins the measurement of financed Scope 3 emissions and affects the reliability of climate disclosures.

L&G responded to the consultation and published a blog setting out investor considerations. L&G sees proposed hourly Scope 2 reporting as potentially helpful if it drives credible

low-carbon electricity procurement and better reflects risk exposure, but notes added complexity could reduce incentives for corporate action in some markets. L&G will monitor developments and consider further engagement as guidance evolves.

**Social**

L&G considers human and social capital management at Starbucks financially material because weak management can disrupt operations, increase legal and regulatory exposure, and erode trust, ultimately affecting long-term value.

L&G therefore applied a vote against the most senior director it considered responsible for oversight, citing ongoing labour disputes during the director's tenure, including a $38.9m settlement for New York fair workweek violations involving 15,000 workers and over 500,000 alleged violations. L&G noted that strike action and labour-law disputes increase Starbucks' risk and can harm its reputation, potentially overshadowing improvements the company has made on wages and benefits. The vote was intended to signal that investors expect the board to take ownership of labour practices and act to prevent future violations and disputes.

**Governance**

L&G continued engagement on major governance reforms across markets, with a particular focus on developments in Japan and related discussions in the UK, the US, and South Korea.

In the UK, L&G prepared for the expected Q2 launch of the Modernisation of Corporate Reporting Review consultation by engaging with key investor and governance bodies (including the Investor Forum, the International Corporate Governance Network, and the UK Investor Association) on how corporate reporting is used in stewardship and what disclosures investors need as regulators shape their approach.

In the US, L&G continued dialogue on significant federal and state governance reforms that could materially alter long-standing shareholder rights, feeding input into the US Council of Institutional Investors' work on multiple governance topics.

In South Korea, following the implementation of governance reforms, L&G's approach is reflected in positive votes to embed reforms into company articles of association, alongside pre-declared voting intentions in advance of the Korean proxy season.

## Voting Activity

The Plan is invested in multi-client pooled funds therefore the Trustees do not have direct voting rights in relation to the Plan's investments. The Trustees have delegated their voting rights to the Plan's investment manager. Where applicable, the investment manager is expected to provide voting summary reporting on a regular basis, at least annually. The Trustees do not use the direct services of a proxy voter. The Trustees did not actively challenge L&G on its voting activity during the Plan Year.

The Trustees had equity exposure through the following L&G funds during the relevant period;

- UK Equity Index Fund
- North American Equity Index Fund
- Europe (ex-UK) Equity Index Fund
- Japan Equity Index Fund
- Asia Pacific (ex-Japan) Developed Equity Index Fund

The table below highlights key metrics as to how L&G has exercised the voting rights and/or engagement activity on behalf of the Trustees, covering the period 1 July 2025 to 30 June 2026.

| Fund | Votable meetings | Total votable proposals | No. of proposals voted on behalf of investors | Participation rate | % votes against management |
|---|---|---|---|---|---|
| **UK Equity Index** | 724 | 9,782 | 9,782 | 100.0% | 6.1% |
| **North America Equity Index** | 600 | 7,666 | 7,666 | 100.0% | 38.6% |
| **Europe (ex-UK) Equity Index** | 491 | 8,417 | 8,417 | 100.0% | 15.4% |
| **Japan Equity Index** | 478 | 5,538 | 5,538 | 100.0% | 6.2% |
| **Asia Pacific ex Japan Developed Equity Index** | 430 | 3,470 | 3,470 | 100.0% | 19.7% |

## Significant votes

The Trustees deem 'most significant votes' as votes on climate change related resolutions, such as a vote requiring publication of a business strategy that is aligned with the Paris Agreement, and votes that have the potential to substantially impact financial outcomes.

The Trustees also consider the size of holding when determining the most significant votes from those that meet the above criteria, given the passive management approach of the equity funds and the considerable number of underlying companies within each fund. Based on the respective proportions of the Plan's overall equity portfolio, the Trustees focused on the largest three holdings that met the above criteria for the North America Equity Index Fund and the largest holding for each of the other funds (based on the approximate size of the fund's holding as at the date of the relevant vote).

The Trustees will keep this definition under consideration based on emerging themes within internal discussions and from the wider industry. The Trustees did not inform L&G of what they considered to be a 'significant vote' in advance of voting.

In determining significant votes, L&G's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association ("PLSA") guidance. This includes, but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an L&G engagement campaign, in line with L&G Investment Stewardship's 5-year ESG priority engagement themes.

The Trustees have reviewed this voting information provided by L&G and view the following votes as the most significant in accordance with the Trustees' most significant votes definition.

| Company / Date of vote | Why it is significant / Size of holding | Summary of Resolution / Vote cast | Rationale for voting decision | Outcome |
|---|---|---|---|---|
| **North America Equity Fund (Target Allocation: 7.5%)** | | | | |
| **Microsoft Corporation** 05/12/2025 | Top 3 Holding / Financial Outcomes 5.9% | Elect Director Satya Nadella Against* | A vote against was applied as L&G expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. | Passed |
| **Alphabet Inc.** 05/06/2026 | Top 3 Holding / Financial Outcomes 3.2% | Elect Director John L. Hennessy Against* | L&G voted against the resolution for a variety of reasons, including concerns over director and board independence (including where the Chair of the Nomination/Governance Committee has served for more than 12 years), the need for regular board refreshment given average board tenure, board accountability for governance outcomes (including where the board does not comprise a majority of independent directors and where Nomination/Governance Committee members are held accountable under L&G's escalation approach), insufficient gender diversity at board level, and shareholder rights concerns—particularly L&G's expectation of an equitable one-share-one-vote structure (or a regular shareholder vote to continue any unequal capital structure). | Passed |
| **Broadcom Inc.** 20/04/2026 | Top 3 Holding / Climate Change 2.4% | Elect Director Henry Samueli Against* | A vote against was applied as the company is deemed not to have made sufficient progress against L&G's climate expectations and red lines, as set out in L&G's sector guides through L&G's dial-mover engagement programme. | Passed |
| **Europe (ex UK) Equity Index Fund (Target Allocation: 3.0%)** | | | | |
| **SAP SE** 05/05/2026 | Top Holding / Financial Outcomes 1.6% | Elect Pekka Ala-Pietila to the Supervisory Board Against* | A vote against was applied because the company's current level of gender diversity on their board does not meet with L&G's minimum expectations. | Passed |
| **UK Equity Index Fund (Target Allocation: 1.5%)** | | | | |
| **BP Plc** 23/04/2026 | Top Holding / Climate Change 3.4% | Approve Revocation of Resolution 25 (2015) and Resolution 22 (2019) Against* | A vote against was applied as while L&G supports comparable, mandatory reporting in principle, the Company has not provided sufficient assurance that revoking these requirements would not remove financially material disclosures that L&G considers essential to assessing the Company's strategy. In particular, L&G is concerned this could reduce transparency on the Board's Paris-aligned strategy, how material capital expenditure is assessed against the Paris Goals and wider strategic outcomes, and the Company's public policy positions on climate change. L&G views these disclosures as important for investors' assessment of transition risks and opportunities (including potential stranded assets), the resilience of the business under different transition scenarios, and the credibility of the Company's climate commitments. | Failed |

| Company / Date of vote | Why it is significant / Size of holding | Summary of Resolution / Vote cast | Rationale for voting decision | Outcome |
|---|---|---|---|---|
| **Asia Pacific (ex Japan) Developed Equity Index (Target Allocation: 1.5%)** | | | | |
| **SK Hynix, Inc.**<br><br>25/03/2026 | Top Holding / Financial Outcomes<br><br>8.1% | Amend Articles of Incorporation (Commercial Act)<br><br>For | A vote for was applied as L&G supports amendments that strengthen shareholder rights and participation. These reforms to the Korea Commercial Code that included mandatory cumulative voting and the introduction of hybrid shareholder meetings were introduced to strengthen shareholder participation and oversight. We will assess their effectiveness in practice rather than on a purely procedural basis. | Passed |
| **Japan Equity Index Fund (Target Allocation: 1.5%)** | | | | |
| **SoftBank Group Corp.**<br><br>24/06/2026 | Top Holding / Financial Outcomes<br><br>3.0% | Elect Director Son, Masayoshi<br><br>Against | A vote against is applied due to the lack of meaningful diversity on the board. | Passed |

** L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. It is L&G's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.*

In terms of next steps following the outcomes of the above votes, L&G will continue to engage with the investee companies, publicly advocate its position on the issues raised and monitor company and market-level progress.

### Investment Manager Performance and Fees

The investment performance reports were received by the Trustees on a quarterly basis during the year under review and considered in more detail at the Trustees' meetings on 16 September 2025 and 19 March 2026. Over the 3-year period to 30 June 2026, the Plan returned 4.6% p.a. (net of fees).

The Trustees have reviewed the performance of both the overall investment strategy and each of the underlying funds against suitable benchmarks. The Trustees did not draw any concerns around the performance of the investment manager during the Plan Year.

The Trustees periodically review investment manager fee levels to ensure the Plan achieves value for money. Over the Plan Year, there were no changes to the remuneration arrangements with L&G. The Trustees reserve the right to challenge the investment manager on its fee arrangements, should this be deemed appropriate.